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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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MAR 16 1992
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(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
MAR 24 1992
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For the transition period from _____

Commission file number: 0-18331

Legend Foods, Inc.

New York	11-2717150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

79-20 71st Avenue, Glendale, NY 11385
(Address of principal executive offices)
(Zip Code)

(718) 326-1323
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 1313 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

As of January 31, 1992, there were 16,210,457 shares outstanding of the registrant's Common Stock $.001 par value.

LEGEND FOODS, INC.

INDEX

	Page No.
PART I – FINANCIAL INFORMATION:	
Balance Sheet – January 31, 1992 and July 31, 1991	1
Statement of Operations – Three months and six months ended January 31, 1992 and 1991	2
Statement of Cash Flows Six months ended January 31, 1992 and 1991	3
Notes to Financial Statements	4–6
MANAGEMENT'S DISCUSSION ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	7–8
PART II – OTHER INFORMATION	N/A
SIGNATURES	9

LEGEND FOODS, INC.

BALANCE SHEET

	January 31, 1992 (Unaudited)	July 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	$ –	$ 111,249
Notes receivable	357,000	400,000
Other receivables – American (Note 6)	520,000	–
Interest receivable	21,686	11,374
Assets held for sale and/or liquidation – net	197,500	530,331
	$ 1,096,186	$ 1,052,954
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued expenses	$ 91,760	$ 107,450
Liabilities of discontinued business	377,790	323,635
Accrued contingent liabilities of discontinued business	310,000	–
TOTAL CURRENT LIABILITIES	779,550	431,085
STOCKHOLDERS' EQUITY:		
Common stock, 25,000,000 shares authorized at $.001 par value; issued and outstanding 16,210,457 and 16,471,948, respectively	16,210	16,472
Additional paid–in– capital	3,672,727	3,522,464
Accumulated deficit	(3,372,301)	(2,917,067)
TOTAL STOCKHOLDERS' EQUITY	316,636	621,869
	$ 1,096,186	$ 1,052,954

LEGEND FOODS, INC.

STATEMENT OF OPERATIONS
(Unaudited)

	Three Months ended January 31,		Six Months ended January 3	
	1992	1991	1992	1991
INTEREST INCOME	$ 469	$ –	$ 13,026	$ 5,525
GENERAL AND ADMINISTRATIVE EXPENSES	(4,598)	(3,329)	(18,848)	(53,303)
WRITE-OFF OF AQUISITION COSTS (Note 6)	(10,946)	–	(21,246)	–
LOSS FROM CONTINUING OPERATIONS	(15,075)	(3,329)	(27,068)	(47,778)
LOSS FROM DISCONTINUED OPERATIONS	(16,470)	(144,240)	(428,166)	(240,398)
NET LOSS	$ (31,545)	$ (147,569)	$ (455,234)	$ (288,176)
LOSS PER SHARE OF COMMON STOCK:				
Continuing operations	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Discontinued operations	(0.00)	(0.01)	(0.03)	(0.02)
NET LOSS PER SHARE OF COMMON STOCK	$ (0.00)	$ (0.01)	$ (0.03)	$ (0.02)
WEIGHTED AVERAGE SHARES USED IN COMPUTATION	14,182,758	12,352,139	14,182,758	12,352,139

LEGEND FOODS, INC.

STATEMENT OF CASH FLOWS

	Six Months Ended January 31, 1992 (Unaudited)	1991 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (27,068)	$ (47,778)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Shares issued for services (Note 6)	150,000	–
(Increase) in interest receivable	(10,312)	–
(Decrease) in accrued expenses	(15,690)	–
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	96,930	(47,778)
DISCONTINUED OPERATIONS:		
Loss from discontinued operations	(428,166)	(240,398)
Adjustments to reconcile loss to net cash provided by discontinued operations:		
(Increase) decrease in assets	332,832	44,180
Increase (decrease) in liabilities	364,155	(682,787)
CASH PROVIDED (USED) IN DISCONTINUED OPERATIONS	268,821	(879,005)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	365,751	(926,783)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Notes receivable	43,000	–
Other receivable – American	(520,000)	–
CASH USED BY INVESTING ACTIVITIES	(477,000)	–
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in accrued public offering expense	–	(195,696)
(Increase) decrease in deferred public offering costs	–	245,848
Proceeds from issuance of common stock	–	1,818,337
CASH PROVIDED BY FINANCING ACTIVITIES	–	1,868,489
INCREASE (DECREASE) IN CASH	(111,249)	941,706
CASH AT BEGINNING OF PERIOD	111,249	(19,341)
CASH AT END OF PERIOD	$ –	$ 922,365
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 2,314	$ 27,544
Income taxes	$ –	$ 1,537

LEGEND FOODS, INC.

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PTESENTATION

Reference is made to the annual report on form 10-K dated October 28, 1991 for the year ended July 31, 1991.

The accompanying financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year.

2. DISCONTINUED OPERATIONS

In Janurary 1992, the previously disclosed asset purchase agreement with Bevco was terminated and in February 1992 the company sold its primary product distribution contract to an unaffiliated distribution company for cash of $82,500.

Amounts in the financial statements have been reclassified to set forth the the financial position and results of operations of the discontinued business.The assets of the discontinued business have been written down to reflect their estimated net realizable value upon disposal. Contractual commitments have been accrued to reflect the necessity of settlement upon the discontinuance of operations.

The revenues of the discontinued business were $577,003 and $625,509 for the six months ended January 31, 1992 and 1991, respectively. The following summarizes the assets and liabilities held for sale and/or liquidation at January 31, 1992 and the corresponding balances for July 31, 1991:

	January 31, 1992 (Unaudited)	July 31, 1991
Accounts Receivable	$ 43,030	$ 82,189
Inventory	120,427	221,646
Prepaid expenses	2,203	64,046
Total current assets	165,660	367,881
Property and equipment, at cost, net of accumulated depreciation (1)	31,500	60,065
Deposits	340	17,521
Deferred contract costs	–	84,864
Total assets	$ 197,500	$ 530,331

Liabilities of discontinued business (2)	$ 377,790	$ 236,720
Write down of net assets held for sale to estimated net realizable value	–	58,611
Estimated losses to anticipated date of sale and/or liquidation	–	28,304
Total liabilities	$ 377,790	$ 323,635

(1) Property and equipment consists of the following:

	January 31, 1992 (Unaudited)	July 31, 1991
Selling equipment	$ 2,000	$ 17,230
Leasehold improvements	6,500	40,173
Office equipment	3,000	41,606
Warehouse equipment	1,000	12,155
Equipment held under capital lease	19,000	38,538
	31,500	149,702
Less accumulated depreciation	n/a	89,637
	$ 31,500	$ 60,065

(2) Liabilities of the discontinued business consist of the following:

	January 31, 1992 (Unaudited)	July 31, 1991
Accounts payable – trade	$ 82,994	$ 96,388
Accrued expenses	250,159	106,117
Capital leases	44,637	34,215
	$ 377,790	$ 236,720

3. ACCRUED EXPENSES

Accrued expenses consist of the following:

	January 31, 1992 (Unaudited)	July 31, 1991
Professional fees	$ 91,760	$ 107,450

4. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

Previously disclosed estimated loss on disposal totalled $ 348,395. Current estimate of the loss totals $375,463.

5. EARNINGS PER SHARE

Per share information is computed based on the weighted average number of shares outstanding during the period.

6. OTHER RECEIVABLE – AMERICAN

The Company has a receivable of $520,000 from American, the subject of the proposed share exchange, related to amounts charged back to American by the Company for various acquisition costs.

ITEM 1. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

During the six months ended January 31, 1992 working capital decreased approximately $305,000 principally due to operating losses net of $150,000 of non-cash acquisition costs.

During the six months ended January 31, 1992, the Company had a cash decrease of approximately $111,000 as compared to a cash increase of approximately $942,000 in the comparable period in the previous fiscal year. The decrease in the 1991 period was due primarily to an increase of $377,000 in advances and notes receivable offset by decreases in inventory and trade receivables and increases in accrued expenses. The increase during the 1990 period was due to net proceeds of $1,889,000 from the Company's stock offering. This was offset, in part, by decreases of $927,000 due to operating losses with the discontinued business accounting for $879,000 of this decrease.

As discussed in the Company's annual report for the year ended July 31, 1991 filed on form 10K, the Company has plans to discontinue its food business and merge with American Complex Care, Inc. (ACC). If this occurs the Company's continuing obligations will be absorbed by ACC. If this does not occur the Company has approximately $316,000 in working capital at January 31, 1992, which is sufficient capital resources to settle all outstanding debts and obligations.

Results of Operations

Interest income for the six months ended January 31, 1992 was $13,026. The increase of approximately $7,500 over the same period in 1991 was due to interest earned on the Company's loans to ACC. General and administrative expenses decreased by approximately $34,000 primarily due to a general phase down in operating levels. Acquisition costs of approximately $541,000 in the 1992 period, are offset by $520,000 charged back to ACC. These costs consist of legal, accounting and professional fees and other costs related to the contemplated share exchange with ACC, of which $150,000 are non-cash expenses settled through issuance of common stock. Such non-cash expenses represent $75,000 of legal costs to the law firm handling the contemplated merger, and a $75,000 finder's fee to the individual who initially brought the two companies together, with each party receiving 150,000 shares of the Company's stock. The stock issued for these fees is valued at the fair value of the services rendered, which is equivalent to the fair value of the stock on the date that it was issued.

Interest income for the quarter ended January 31, 1992 was $469. This represented an insignificant increase over the same period in 1991. General and administrative expenses remained approximately the same. Acquisition costs of approximately $210,000 in the 1992 quarter, are offset by $200,000 charged back to ACC. These costs consist of legal, accounting and other costs related to the contemplated share exchange with ACC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEGEND FOODS, INC.

By: _____ _____
Barry A. Mills, Director — Date

By: _____ _____
Robert A. Cosentino Director — Date

By: _____ _____
David M. Barnes, Executive Vice President and Director — Date

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEGEND FOODS, INC.

By: _____ Date
Barry A. Mills,
Director

By: _____ Date
Robert A. Cosentino
Director

By: David M. Barnes 3/12/92
David M. Barnes, Date
Executive Vice President
and Director

TOTAL P.02